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UNCLAS SECTION 01 OF 04 COTONOU 000159

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SUBJECT: SCENESETTER FOR BILATERAL CONSULTATIONS, COTONOU, BENIN,
MARCH 9, 2007

REF: (A) STATE 24962, (B) 06 COTONOU 1186, (C) COTONOU 123

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11. (U) SUMMARY: Post warmly welcomes your participation in the March 9, 2007 USG/GOB bilateral consultations. Your visit follows the November Gulf of Guinea Maritime Security Conference and the December 2006 official US visit of pro-US President Boni Yayi, second-round victor in widely acclaimed free, fair and transparent March 2006 presidential elections. Benin is a strong US partner: supportive of regional peacekeeping and anti-terrorism initiatives; bilateral education and health efforts; solid on combating corruption; and open to increasing US trade and investment. USG engagement focuses on the new Millennium Challenge Compact (MCC) that entered into force on October 9, 2006 and ongoing USAID, Peace Corps, and DOD programs. Key GOB issues include ACOTA and on-going support for education and health programs. The talks present an excellent opportunity to press the GOB for a site to construct a new embassy.

12. (U) Benin is also on track for the Women's Justice and Empowerment Initiative (WJEI), a participant in the President's Malaria Initiative (PMI), and a viable candidate for the World Bank's Fast Track Program in education. We expect the MFA Secretary General, just named as Benin's new Ambassador to Brazil on February 27, to head the GOB delegation. You will meet and greet Mission staff, including a special session with JO and EL officers. Outreach to Amcits continues. There is little anti-Americanism, and the USG is very popular with the GOB, press, and general population. However, petty crime is a problem. END SUMMARY.

//BILATERAL TALKS//

13. (U) Timing of the upcoming bilateral consultation coincides with a particularly strong USG/GOB relationship - particularly on political, military and developmental levels. Benin is a strong US partner: supportive of regional peacekeeping and anti-terrorism initiatives; open to cooperation in the education and health sectors; solid on combating corruption; and supportive of efforts to increase US trade and investment. USG engagement focuses on the new Millennium Challenge Compact (MCC) that entered into force on October 9, 2006 and ongoing USAID, Peace Corps, and DOD programs. Key GOB interests are to enlarge the ACOTA and existing US education and health programs. The talks present an excellent opportunity for us to press the GOB for a site to construct a new embassy.

14. (U) This is a particularly challenging period for Benin. Heightened security around the Presidency reflects Yayi's growing concern in the wake of an armed robbery attack and subsequent shoot-out last December at the presidential palaces gates (REF B). Economic and structural reforms prove to be more difficult to address in the short term, but encouraging signs of progress exist. Recent appearance of "container" gas stations in Cotonou points to

progress in tackling the informal smuggling and trading of gasoline from Nigeria. A successful sale of government bonds in December 2006 signaled an improved outlook for increasing government revenues. Investors found the 6 percent interest rate attractive, and the government surpassed its \$80 million goal by over \$20 million. Customs receipts, a significant source of government revenue, surpassed 2006 goals by 113 percent. The recent adoption of a new law on land reform by the National Assembly is a significant step toward improving the investment climate.

//KEY ISSUES: MAKING THE DEMOCRATIC DIVIDEND PAY//

15. (U) Benin President Boni Yayi assumed office with a strong mandate, having won 75 percent of the run-off vote in this politically stable country. The country has few natural advantages or resources to spur growth or endow it with geo-political strategic importance. Its GDP growth has slowed over the past three years, falling to nearly half of the average 5-6 percent in the 1990s. Life expectancy and literacy rates are low, and about a third of its rapidly growing population lives below the poverty line. It is only Benin's democratic tradition that has qualified Benin to feature on almost every list of beneficiaries for various aid programs such as Millennium Challenge, AGOA, HIPC debt relief, President Bush's Women's Justice and Empowerment initiative, the EU's program of direct budget support, and the World Bank's Education Fast-Track Initiative.

16. (U) This "democratic dividend" is vital for Benin, but can only spur real economic growth if it is combined with improved economic governance. Botched privatizations of Benin's cotton and petroleum parastatals, Benin's largest export and import items, respectively, combined with difficult world market conditions for both products, have weighed heavily on Benin's economy over the past three years. Endemic corruption and inefficiencies in managing crucial infrastructure such as the Port of Cotonou, also negatively affect growth.

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17. (U) Yayi's top priorities include: ending corruption and promoting ethical values and respect for the state; developing a strong human resource base by improving education and health services; and improving the business and investment climate and investing in infrastructure, especially roads and the port. On assuming office, Yayi launched the battle against corruption and mismanagement by ordering comprehensive audits of all major ministry and parastatal budgets. Results released in late 2006 revealed the dismal state of government finances. Only \$400,000 was left in the government accounts when the new administration took office. Between 2001 and March 2006, over \$400 million of improperly documented or justified government payments were made. This amounts to roughly 10 percent of government spending.

//FIGHT AGAINST CORRUPTION//

18. (U) Government auditors and investigators are pursuing reimbursements of improperly made payments. The government also has cracked down on the use of ad hoc payment procedures. To promote high standards of integrity and professionalism in the civil service, Yayi resisted pressure from political parties supportive of his candidacy to receive ministerial posts and appointed qualified technocrats to all but four posts. He had ministers sign a Code of Good Practice in May 2006 and has not hesitated to take stern actions. Over the past year, he arrested two former government ministers on charges related to abuse of office and public trust, and three ministers were replaced when performance did not meet the administration's standards. In a further boost to efforts to curb smuggling and corruption, the GOB also cracked down on the black market gasoline business and cancelled lucrative monopolies to escort transit shipments of used vehicles from the port to neighboring countries. These businesses are both major sources of corruption in Benin. Concurrently, the new government has waged a campaign to improve tax collection. Delinquent taxpayers clear their debts or see their names published in local newspapers.

//MILLENNIUM CHALLENGE ACCOUNT, USAID AND PEACE CORPS//

¶9. (U) The United States is perfectly positioned to work with the new government on these issues and participates in senior policy and program discussions among heads of diplomatic missions and agencies in a monthly donor coordination meeting. In February 2006, Benin signed an MCA Compact, which entered into force on October 6. President Yayi presided over an October 9 ceremony to mark the occasion. He underscored his Government's commitment to maintaining Benin's eligibility for the Compact program, notably by addressing the problem of endemic corruption. The Compact includes a series of strategic investments designed to address key physical and institutional constraints to increasing investment and private sector activity in four Access program areas: Justice, Financial Services, Markets (which is predominately to improve the functioning of the Port of Cotonou), and Land. The Compact, with USD 307.3 million in U.S. funding and a USD 10 million contribution from the Government of Benin, is expected to impact 2.5 million Beninese, lifting 250,000 of them out of poverty within five years.

¶10. (U) USAID and Peace Corps will continue their programs in key social sectors. USAID supports a primary health care program designed to increase access to and improve the quality of health care. Our health assistance promotes childhood vaccinations, polio eradication, family planning, malaria control, and HIV/AIDS information and treatment. The USAID education program focuses on primary education and provides support for Benin's primary education reform, teacher training, improved school supervision, and increased enrollment and retention of girls in primary school.

¶11. (U) Peace Corps will continue its programs focused on key social and economic sectors such as education, health, environment, small business and information technology respectively. Over 100 Volunteers are working within the local communities countrywide in those programs. Peace Corps has enjoyed a successful relationship with the GOB since 1968. In 2006, Peace Corps celebrated its 45th Anniversary worldwide of which 38 years have been in the Republic of Benin without interruption.

//REGIONAL STABILITY AND MILITARY COOPERATION//

¶12. (SBU) Entry into force in 2005 of an Article 98 agreement (which the GOB prefers to call a "non-surrender" agreement) has permitted us to significantly increase the tempo of military training and cooperation with Beninese forces. Our IMET program restarted in FY06 and is focused on English-language training in addition to other general courses. The GOB also has expressed interest in nominating candidates for attendance at one or more of the war colleges. Continued IMET funding is an issue.

¶13. (U) Benin is a beneficiary of the Africa Contingency Operations Training Assistance (ACOTA) program and makes an important

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contribution to regional stability both through its example and commitments. Benin currently has over 1,200 peacekeeping troops deployed in the Democratic Republic of Congo (MONUC) and in Cote d'Ivoire (UNOCI), as well as military and police observers in Darfur and Haiti. To sustain these contributions, the GOB would require USG support.

¶14. (SBU) The Beninese Naval Forces struggle to conduct operations and, at present, consist of two Boston Whalers, one of which is inoperative. Two patrol boats have not been seaworthy for the past four years, although earlier this week one returned to operation thanks to Chinese assistance. The other remains moored at the Port of Cotonou. This is one reason Benin would be an attractive prospect for FMF funding. The U.S. Coast Guard Cutter Legare will visit Cotonou next week.

¶15. (U) The French and Belgians are actively cooperating with the Beninese military, and a military delegation from China visited Benin in August 2006. The French also have approximately 20 officers who are seconded to the Beninese Armed Forces and wear Beninese military uniforms. In September 1996, post hosted the successful execution of the Benin portion of MEDFLAG '06, the USEUCOM-sponsored ECOWAS military exercise. It involved the participation of nearly

60 U.S. military medical personnel and received broad press coverage. In November 2006, Benin and the DOD hosted in Cotonou a conference on Gulf of Guinea Maritime Security and Awareness.

//AMCIT SERVICES //

¶16. (U) In February, post hosted a town hall meeting organized by the Consular Section for Amcits to reiterate basic precautions to take against Avian Influenza and to discuss security, consular section services, and African American History month. Avian Influenza outbreaks in three neighboring countries make Benin a probable site for future outbreaks. All birds tested for H5N1 in Benin have been negative, but the GoB's surveillance system is constrained by limited resources. Post has requested assistance to support a public awareness campaign managed by UNICEF (REF C). The consular section also has updated the warden system to make it more effective in the event of an emergency.

//REGIONAL SECURITY//

¶17. (U) Benin is rated HIGH for crime and MEDIUM for transnational terrorism. The community in general is affected most by street crime in all parts of Benin. There has been a slight increase in carjacking by Beninese gangs over the past two years. There are no known terrorist organizations present in Benin, and the Beninese Government supports the United States in the War Against Terrorism. Embassy Benin enjoys a good working relationship with the local police and gendarmes. Nigerian-style 419 fraud is prevalent in Benin as well as the presence of counterfeit US currency and counterfeit Franc CFA.

//DONOR, INVESTOR AND REGIONAL ECONOMIC SUPPORT//

¶18. (U) Donor and potential investor support is critical to Benin's success. Thus, President Yayi's first year in office has included a busy schedule of high-profile visits with donors and investor groups in more than a dozen countries on four continents, including Africa, Europe, North America and Asia - a prodigious travel schedule that raised diplomatic eyebrows in Cotonou. President Yayi's visits to the oil producing countries of Nigeria, Gabon, Libya, and Equatorial Guinea helped to address the problem of gasoline shortages which had plagued the country for almost a year. The visit to Libya resulted in an agreement to provide 35 metric tons of refined gas oil and electrical generators in the coming months and an offer of help in the cotton sector.

¶19. (U) The visit to Nigeria was particularly important due to Benin's role as a transportation and transit hub for Nigeria and other neighboring countries. Economic and social developments in Nigeria can significantly influence Benin's formal and informal sectors. According to a 2004 IMF study, unofficial exports contribute an estimated 6 percent of GDP and account for about one-third of customs revenues. Reflecting improved relations between Benin, Nigeria, and Togo, the three governments signed an MOU in February 2007, which acknowledged that economic development in all three countries will depend on their cooperation. In January 2007, Post hosted with the Chamber of Commerce and Industry of Benin and the Ministries of Finance and Foreign Affairs a seminar to promote US/Benin trade and investment, supported by the USAID West African Trade Hub and the FCS Commercial Attach, based in Accra and Dakar respectively.

//A BRIEF HISTORY OF BENIN//

¶20. (U) Benin's status as one of the most peaceful and democratic COTONOU 00000159 004.8 OF 004

countries in Africa is a real achievement. In fact, Benin was the first African country to suffer from a military coup in the post-colonial era, and from 1963 to 1972 Benin saw more coups and changes of government than any other African state. From 1972 to 1989, under Mathieu Kerekou's "revolutionary" leadership, Benin lived under a Marxist regime that quickly became unsustainable with the end of the Cold War.

¶21. (U) Benin became a trailblazer in a more positive sense in 1990

when it was one of the first African countries to undergo a democratic transition. A new constitution was adopted in December 1990, and, in elections in February 1991, Kerekou was defeated and peacefully stepped aside for new President Nicephore Soglo. But in 1996 Kerekou resumed office after defeating Soglo in democratic elections, and he won re-election in 2001 in a vote marred by allegations of fraud. In the March 2006 presidential election, Kerekou was barred from running by the Constitution's presidential term limit, as well as a maximum age of 70. On April 6, 2006, Kerekou became the first African leader in history to constitutionally leave office twice as a result of democratic elections.

//BIO NOTES//

122. (U) Boni Yayi, a Paris-educated economist who had never held elected office and who had no political party affiliation, skillfully crafted a campaign projecting himself as both an economically literate technocrat, and the embodiment of change for Benin. By voting for him in both rounds of the 2006 election, Beninese voters opted decisively for change. President Yayi views the United States as a key partner for his new government. An evangelical Christian, he emphasizes that he shares "American values" such as the importance of good governance and the promotion of investment and economic growth. Both issues feature prominently in his government's program.

123. (SBU) Post expects Ministry of Foreign Affairs Secretary General Ambassador Isidore Monsi, named Benin's new Ambassador to Brazil during the Council of Ministers meeting on February 27, to head Benin's delegation to this year's bilateral consultations. Monsi is a diplomat by profession and has held various positions at the Ministry of Foreign Affairs where he started his diplomatic career in 1983. Until his nomination on March 11, 2004 as Secretary General of the Ministry with the rank of Ambassador, he served as Latin America Division Chief, Planning and Research Bureau (1983-84); North Africa Division Chief, Africa and Arabic Countries Bureau (1986-87); Assistant to the Director of Financial and Administrative Affairs (1987-88); Assistant to the Director General (1988-90); Eastern European Chief of the European Bureau (1990-92); Assistant to the Chief of Staff and Political Affairs Advisor (1992-93); and concurrently as Director of Communications, Media and Ministry Spokesman (2002-04) as well as Director of Administration (2003-04). Ambassador Monsi was also Advisor to Benin's Permanent Mission to UNESCO from 1993 to 2001 and acted as substitute for Benin's Representative to UNESCO from 1993-1997 and 1999-2001. He has participated in various seminars and colloquia in Benin and overseas. Mr. Monsi earned a diploma in Diplomacy and International Relations from Benin's National School of Law and Administration, a diploma in International Relations and Economic Cooperation (Berlin), and a Diploma from the International Institute of Public Administration and from the UN Institute for Training and Research (Geneva). Mr. Monsi was born in Benin; he is married with no children.

//COMMENT//

124. (U) Comment: Following the March 2006 elections that brought President Boni Yayi to power, Benin's strong democracy remains on track. Some had questioned its ability to continue as a model for Africa since its transformation from dictatorship to democracy after the 1990 National Conference. However, an empowered, engaged electorate, determined to end deteriorating economic performance, mismanagement, gas shortages, rising food prices, corruption, and cronyism appears to be taken with President Yayi, an honest, visionary technocrat - though political neophyte. Yayi's reform agenda, strong anti-corruption measures and outreach to donors and neighboring countries keep faith with his election promise of "change" for the better. Benin is making significant but tortuous political, social, economic and development strides. Upcoming March 25 legislative elections should provide feedback on whether or not the Beninese population will remain patient during the long and laborious reform period. They certainly are exercising a democratic right to participate in the electoral process: 26 political parties and unions of convenience are vying for 83 parliamentary seats.

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